

## Message Text

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ACTION NEA-16

INFO OCT-01 ISO-00 PM-07 NSC-07 SP-03 SS-20 RSC-01 L-03

CIAE-00 INR-10 NSAE-00 AID-20 IGA-02 OMB-01 TRSE-00

MC-02 COME-00 EB-11 A-01 M-02 DRC-01 /108 W

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R 301115Z JUN 74

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 7112

INFO SECDEF WASHDC

JCS WASHDC

USCINCEUR VAIHINGEN GER

C O N F I D E N T I A L TEHRAN 5354

E.O. 11652: GDS

TAGS: PFOR, MASS, IR

SUBJ: GOI FINANCIAL SUPPORT OF ARMISH MAAG IRAN

REF: STATE 126123

SUMMARY: COMMENTS ARE OFFERED ON REFTEL INSTRUCTION TO SEEK GOI FINANCING FOR ARMISH/MAAG. GUIDANCE REQUESTED. END SUMMARY.

1. EMBASSY IS PREPARED TO MAKE APPROACH AS OUTLINED REFTEL. IN DOING SO, IT WILL BE ESSENTIAL THAT WE CONVINCE IRANIANS THAT WE ARE TREATING THEM FAIRLY AND THAT NEW FINANCIAL ARRANGEMENTS ARE IN OUR MUTUAL INTEREST. WE SHALL STRESS THEME THAT WE WISH TO PUT OUR MILITARY RELATIONSHIP ON NEW, MATURE BASIS WHICH CAN BEST PROTECT IRAN-US TIES FROM HOSTILE CRITICISM. AS SUPPORT FOR OUR PRESENTATION, WE WOULD LIKE STATE AND DOD COMMENTS ON FOLLOWING POINTS:

A. TWO PERCENT FMS CASE ADMINISTRATIVE CHARGE.

IRANIANS MAY ASK WHETHER WE HAVE NOT RECEIVED SUFFICIENT FUNDS THROUGH THIS FLAT FMS RATE TO APY ALL MAAG COSTS. ANSWER THAT WAS GIVEN IN REPLY TO GEN TOUFANIAN'S PROTEST ON THIS ISSUE WAS TO US NOT PERSUASIVE--ESPECIALLY IN VIEW MASSIVE GOI FMS CASE TOTALS (E.G. F-14, SPRUANCE)--AND WE DOUBT THAT GOI WAS CONVINCED BY  
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OUR ASSERTION WE HAD STUDIED MATTER AND COME TO CONCLUSION THAT

CHARGE WAS APPROPRIATE. TOUFANIAN PROBABLY CONCLUDED HE HAD TRIED AND LOST WITH USG AND IT WAS FUTILE TO PERSIST. AS WITH MANY DEFENSE DEALINGS WITH GOI, AMOUNT OF MONEY IS NOT AS IMPORTANT AS ASSURANCE THAT IRAN IS RECEIVING FAIR TREATMENT AND JUST PRICE. THEREFORE, WE URGE WE BE AUTHORIZED TO TELL GOI THAT WE ARE GIVING FURTHER STUDY TO TWO PERCENT PROVISION WITH VIEW TO DEVISING SLIDING SCALE LINKED TO DOLLAR VALUE OF CASES. WE DOUBT THAT THIS WOULD CREATE A HARMFUL PRECEDENT FOR OTHER COUNTRIES AS THERE ARE NOT MANY OTHER BILLION DOLLAR FMS CASE CLIENTS. IF THIS CHANGE IS NOT POSSIBLE, REQUEST GUIDANCE AS TO WHAT WE SHOULD SAY IF FMS REATE ISSUE IS RAISED.

B. MAP RESIDUAL RIGHTS.

GAO REPORT SUGGESTS WE ASK GOI BUY RIGHTS TO MAP EQUIPMENT BEING USED BY IRAN. WE DID NOT MAKE APPROACHE OUTLINED BY STATE 023543 BECAUSE WE SENSED LACK OF CONVICTION IN WASHINGTON THAT CORRESPONDS TO OUR DOUBTS HERE AS TO WHETHER SUCH AN INITIATIVE COULD SUCCEED WITH GOI. HOWEVER, IF AS RESULT OF GAO RECOMMENDATION, OUR INSTRUCTIONS ON THIS ISSUE ARE TO BE RENEWED, WE BELIEVE WE SHOULD MAKE APPROACH AT SAME TIME AS MAAG FINANCING DISCUSSION. WE DO NOT WISH TO HAVE TO RETURN TO GOI WITH A SECOND REQUEST FOR MONEY WHEN WE WOULD AGAIN DITE GAO REPORT AND USE "NEW MATURE RELATIONSHIP" LINE OF ARGUMENT. LET US DECIDE NOW WHETHER OR NOT TO PURSUE MAP RIGHTS ISSUE. IF SO, PLEASE GIVE US BEST OFFER WE MAY MAKE TO GOI AS WELL AS MOST ADROIT RATIONALE FOR PERSUADING IRAN TO BUY MAP RIGHTS.

C. SUPPORT COSTS.

SHOULD WE CHARGE GOI ONLY FOR ESA PORTION OF SUPPORT COSTS OR SHOULD WE ALSO INCLUDE COSTS ATTRIBUTABLE TO MAAG AND GENMISH IN BUDGETS OF MAC, ACCOM, HOSPITAL, COMMISSARY AND AFRTV? WE SUGGEST THESE CHARGES BE INCLUDED ALONG SAME LINES THAT CHARGES WERE LEVIED ON GOI IN TAFT FORM 1513. ESA O&MA BUDGET ESTIMATE FOR FY-75 IS \$1.19 MILLION; HOSPITAL O&MA FOR FY-75 BUDGET IS ESTIMATED AT \$.6 MILLION. BUDGET FIGURES FOR OTHER UNITS NOT AVAILABLE. TAFT STANDARDIZED COSTS SHOULD BE USED FOR ALL MILITARY AND CIVILIAN PERSONNEL IN MAAG, GENMISH AND SUPPORT UNITS. AS ESA COSTS ATTRIBUTED TO NON-MAAG/GENMISH/TAFT UNITS ARE INSIGNIFICANT, WE SUGGEST GOI BE BILLED FOR ENTIRE ESA COSTS. AFTER PREPARING FROM 1513 IN WASHINGTON, DOD MAY WISH TO SEND TEAM TO VERIFY CONTENT LOCALLY.

D. DURATION OF FMS CASE.

ALTHOUGH WE AGREE THAT 3-YEAR CASE WOULD BE PREFERABLE, PARTICULARLY

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EARLY TO FURTHER DISTINGUISH MAAG FROM TAFT, WE THINK DURING FIRST YEAR MAAG AND GENMISH CASES SHOULD BE ON ONE-YEAR BASIS; IN SUBSEQUENT YEARS CONTRACT COULD BE WRITTEN FOR THREE-YEAR TERM. FIRST YEAR WILL ENABLE US ACQUIRE EXPERIENCE WITH NEW FINANCING PROCEDURE AND POSSIBLE ARRANGE TO SHARE ANY CAPITAL COSTS WHICH MAY BE NECESSARY TO ADD TO TAFT FY-76 FORM 1513. FOR EXAMPLE, TAFT PROGRAM IN PREVIOUS TWO CASES BORE FULL COSTS FOR LOCAL MILITARY UNITS OF SCHOOL AND COMMISSARY EXPANSION. AS TAFT PROGRAM IS

STILL RELATIVELY NEW, THERE MAY BE OTHER SUCH CHARGES NEXT YEAR WHICH WE COULD DIVIDE BETWEEN TAFT AND MAAG CONTRACTS.

E. FOREIGN MINISTRY NOTE.

(I) WE CANNOT EXCLUDE THAT CERTAIN OFFICERS AT MFA WHO HAVE TROUBLED US IN PAST WITH LEGAL NICETIES MIGHT WISH TO USE OUR NOTE AS VEHICLE FOR REOPENING APO, LEGAL STATUS OF PERSONNEL OR OTHER ISSUES. ALTHOUGH WE THINK CHANCES OF THIS ARE RATHER UNLIKELY, WE WOULD SEEK TO DEFER CONSIDERATION OF ANY SUCH EXTRANEOUS MATTERS THAT MIGHT ARISE.

(II) IN PARAGRAPH BEGINNING QTE INSOFAR, UNQUOTE SUGGEST DROP QTE ANNUAL UNQTE IN PERNULTIMATE LINE AND SUBSTITUTE QTE SUCH UNQTE FOR QTE ANNUAL UNQTE IN LAST LINE.

(III) IN NEXT PARAGRAPH SUGGEST ADD QTE UNLESS OTHERWISE AGREED UNQTE AT END. IT MAY BE THAT WE OR GOI MIGHT WISH LATER TO SUBSTITUTE PAYMENT THROUGH FMS CASE FOR PRESENT AIK AND WE WOULD NOT WISH TO FEEL LIMITED BY LANGUAGE OF NOTE.

2. FOR OUR INFORMATION, WAS CONSIDERATION GIVEN BY DOD AND STATE TO ALTERNATE MEANS OF MAAG FINANCING, EITHER (1) THROUGH DEDUCTIONS FROM TWO PERCENT FMS CASE CHARGE OR (2) THROUGH CONTRIBUTED CURRENCY PROCEDURES AS WE UNDERSTAND IS DONE IN GERMANY AND OTHER EUROPEAN COUNTRIES?

3. GENERAL GOODPASTER'S STATEMENT BEFORE HFA SUPPORTING OUR MILITARY PROGRAM IN IRAN HAS BEEN FAVORABLY RECEIVED IN PRESS AND COULD PROVIDE POSITIVE BACKGROUND FOR OUR APPROACH. WE WOULD LIKE TO MOVE ON THIS PROPOSAL WITHOUT WAITING FOR DEVELOPMENT OF FORM 1513 IF THAT IS LIKELY TO BE LENGTHY PROCESS. SUPPORT COST DATA WILL BE SUBMITTED ASAP.

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